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SENSITIVE

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TREASURY FOR OASIA - LARRY MCDONALD

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SUBJECT: IRAQI BUSINESS COMMUNITY IN JORDAN MEETS CPA

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11. (SBU) Summary. In a meeting with CPA advisors visiting Jordan, a group of Amman-based Iraqi business people said that they controlled substantial capital and technical resources that they wanted to contribute to the reconstruction of Iraq. In order to facilitate communication with the authority in Iraq, they are planning to form an association of expatriate Iraqi investors. Among the first things they would call for was political risk cover for commercial investments in Iraq, at least until new Iraqi commercial and legal institutions are up and running. Although we do not know much about the background of the individual businesspeople, it could be useful to keep up a dialogue with them to see what they have to offer. End Summary.

12. (SBU) On June 24, following the World Economic Forum meetings at the Dead Sea, a group of Jordan-based Iraqi businesspeople met CPA economic advisors Reuben Jeffery and Eric Otto at the Intercontinental Hotel in Amman. Embassy Amman economic and commercial staff also sat in on the meeting, which was facilitated by Jordanian businessman Husam Deranieh. The businessmen were Iraqis who said they have been resident in Jordan for many years but who retained business and personal interests in Iraq and continued to do business there under the UN Oil for Food Program and the bilateral Jordan-Iraq trade protocol. The businessmen said that they were interested in working with CPA to become active in investing and trading in Iraq.

Difficulty Communicating

13. (SBU) The group's main concern was an inability to establish clear lines of communication with CPA to discuss investment and business opportunities. For example, they had variously tried to be in touch to offer assistance in providing catering and duty-free services at BIAP or to quickly set up a 50,000 line wireless telecom network in the Basra area. While their initial email messages or phone calls were acknowledged, there had been little to no follow-up from CPA.

14. (SBU) The Iraqis said that they had been more successful in establishing working relationships with local coalition military commanders on the ground. This had allowed them to start up some local activities that affected Iraqi citizens' lives on a small scale. However, these businessmen said that they had the financial capacity and know-how to operate on a national scale. They said they had represented U.S. companies, had technical skills, large pools of potential employees, as well as the connections necessary to guarantee security (see bio information below).

An Expatriate Iraqi Investors Association?

15. (SBU) Jeffery described plans to establish a business help center in Baghdad in the near future that could serve as an initial point of contact. The businessmen said they were planning to organize themselves as an association of expatriate Iraqi businesspeople that could deal on members' behalf with CPA and Iraqi ministries. They said business associations in Iraq with which CPA appeared to be already communicating (such as the Iraqi Businessmen's Association) were tainted by association with the former regime.

16. (SBU) The group also said that as expatriate Iraqis resident in Jordan, they would be well-accepted by the Iraqi people. They said that CPA appeared to be dealing with Kuwaiti and Gulf businesspeople, which most Iraqis would find offensive. For instance, the businessman who said he had offered to set up a mobile phone network in Basra in three weeks (Dr. al-Sadi), had been disheartened

to learn that a Kuwaiti company had been selected to do a similar job. A few major projects with Iraqi business participation would, they thought, go a long way to bolster the Coalition's image among Iraqis.

Looking for Cover

17. (SBU) The businessmen said that they were ready to take financial and business risk in investing and trading in Iraq. However, they felt that there was a necessary role for the types of political risk cover provided by institutions like the International Finance Corporation and OPIC. Such guarantees would be especially important, they said, until new financial and legal institutions were established in Iraq. They said official export credits would also be very helpful in providing Iraqi businesspeople with the resources to finance imports.

Comment

18. (SBU) There is indeed a significant Amman-based Iraqi business community that was active in trading with Iraq during the sanctions period. Members of this community are not well known to the embassy, with which they avoided contact during the sanctions years. Some of them may have been involved in activities that we could not condone. Nonetheless, business people like the ones we met probably have financial capital, technical capacity, and knowledge of the situation on the ground in Iraq to which we would not otherwise have access, either inside or outside Iraq. It could be useful to keep up a dialogue with them and see what they are actually able to deliver. Following is bio information gleaned from participants in the meeting that may be useful to CPA and Washington agencies.

Bio Notes

-- Jalal Al-Gaaod is a member of the Dulaim tribe of central Iraq and General Manager of Nass Lubricants and Chemicals Plant, which was involved in the oil-for-food program prior to the end of sanctions. His brother Talal al-Gaaod runs companies for importing and servicing agricultural machinery. Both were also involved in the oil-for-food program.

-- Dr. Majid al-Sadi is the Basra-born chairman of Eastern Investment Group, a holding company with interests in industrial and telecom sectors. The group's most prominent component is its partnership with the UK Alpha group, in providing in-flight catering services at Amman's Queen Alia Airport. (Mr. Lionel Wilton, UK citizen and Alpha employee also sat in on the meeting.)

-- Dr. Fouad al-Zubaidi is the chairman of Union Marketing Company, a holding company for various chemical and industrial companies. Among other things, the company produced detergents for export to Iraq under the bilateral trade protocol.

-- Ali Al-Khawwam is the General Director of the Riyadh Investment Companies Group, which has been in operation for 15 years in Jordan and has operated in Iraq during the past ten years as a contractor dealing with industrial projects there. According to Khawwam, the Group owns the largest food and detergent factories in Jordan.

-- Ahenis Al-Jabori is general manager of Winter International, Ltd., a conglomerate with interests in air conditioning manufacturing, telecommunications, oil and gas, and the health sector (in which Al-Jabori claims ownership of one of the two or three largest firms present in Iraq). Al-Jabori said he had substantial pre-sanctions experience in Iraq as an agent for foreign corporations attempting to do business in Iraq, including a joint venture with General Motors and with Mercedes to provide automobiles for the Iraqi market that was launched in 1988 before being abandoned.

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